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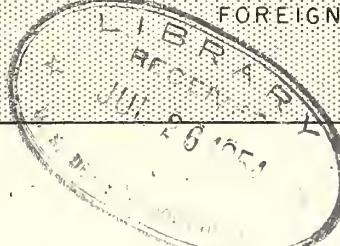


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# FOREIGN AGRICULTURE CIRCULAR



UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE  
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## CHANGES IN THE DOLLAR POSITION ABROAD AND THEIR IMPACT ON UNITED STATES AGRICULTURAL EXPORTS

By Oscar Zaglits and Doris D. Rafler

### SUMMARY

Since the currency devaluations of September 1949, many foreign countries greatly increased their dollar earnings and enlarged their exchange reserves. The so-called dollar shortage has thus become much less stringent. As a result, important trading countries such as the United Kingdom, Western Germany and the Netherlands have liberalized imports of United States products, including important agricultural commodities.

There are prospects of a further improvement in the dollar earnings of these countries. If these prospects are realized, these countries would be in a position further to relax their trade restrictions against the United States.

It also appears likely that as a result of a continued improvement in their dollar position, they will take steps toward a restoration--within certain limits--of the convertibility of their currencies into dollars. This would be important from the viewpoint of regaining for United States products an equal competitive position with other imported products in those countries.

Despite the selective liberalization of import restriction, controls on imports of many United States products have remained more restrictive than controls on imports from the so-called soft currency countries. Curtailment of United States military aid, and uncertainties as to the future level of spending abroad by United States government agencies (for stockpiling, offshore procurement, military installations, etc.) and as to business conditions in the United States are being quoted in justification of continued controls on imports from the dollar area.

Some countries are increasingly using their controls against dollar imports not only as a means of saving dollars but also as a means of shifting purchases of food and raw materials to areas where they found a market for their own industrial products. The impact of these controls against United States agricultural products is being felt more than in the earlier postwar period because of the greater availability and in some cases lower prices of supplies from other sources.

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The Netherlands recently decontrolled dollar imports of tobacco, cotton, and corn, increased the import quotas for wheat, soybeans and soybean oil, and flaxseed and linseed oil, and it promised liberal dollar allocations for fruits, nuts, tallow, and honey, commodities which formerly could be imported only with bonus dollars.

Western Germany has made liberal dollar allocations for tobacco, tallow, and certain horticultural products (including fruits, nuts, and honey) and, on February 17, has freed approximately 2,000 items from quantitative import restrictions. Among these items are important United States agricultural products, such as raw cotton, tobacco, and certain fats and oils.

Germany and the Netherlands have stated that the degree of further liberalization of dollar imports may rest in part on changes in the provisions of the European Payments Union, to whom they have become important creditors. They hold that a larger portion of the claims of creditors against EPU should be settled in gold and dollars. The problem of liberalizing imports from the dollar area will also be before the OEEC Ministerial Council at its current meeting in Paris. On the agenda of this meeting will be a plan of action whereby all member countries would grant more liberal treatment for an agreed list of dollar imports.

Outside of Europe, however, there has not been much trade liberalization for U.S. agricultural products.

Canada and a number of dollar countries in Central America do not maintain exchange controls or quotas against United States products for balance-of-payments reasons.

Moves in the direction of convertibility have recently been made by the United Kingdom and Germany. The former reopened the London gold market, within limits, and now allows sterling to be freely transferred among individuals and countries within most of the non-dollar area. Germany is now permitting members of the dollar area to open D-mark accounts that are reconvertible into dollars whenever the holder of the account so desires. Freely transferable D-mark accounts have also been provided for use in the non-dollar area.

Both the United Kingdom and Germany--as well as Belgium and the Netherlands--have indicated that they are aiming at restoring some form of limited dollar convertibility if their reserve position continues to improve. They are likely to take such steps once they feel assured regarding the trend of business conditions in the United States.

#### Continuing controls and their impact

Important OEEC countries are continuing their controls on many United States agricultural products, including grains, most dairy products and a large number of fruits and vegetables. France and Italy in addition maintain strict controls on imports of U.S. cotton and tobacco. These controls are being used not only to protect their own agricultural producers but also to channel their imports to countries offering markets for their industrial products.

In the present period of increased production abroad and of a lowering of price levels of many agricultural commodities in international trade, the impact of the continuing controls against United States agricultural products is being felt more severely than in previous years. Especially with respect to wheat and cotton, price competition from other suppliers has limited United States exports during current and the last year. Cotton prices have firmed during the past few months, carrying with it a better demand for United States cotton. New competition will, however, arise as this year's crop of foreign cottons reaches the markets.

Some non-dollar producers are moving their agricultural commodities through an expanding network of bilateral and barter agreements. Argentina, for instance, recently disposed of substantial quantities of wheat through barter for Indian burlap. The operation of these agreements rests upon the maintenance of discriminatory trade and exchange controls such as those discussed in the preceding two paragraphs.

Table 1. Foreign Gold and Dollar Assets, Dec. 1953, and changes since Dec. 1952 and Dec. 1949

	Assets		Change since
	Dec. 31, 1953	Dec. 31, 1952	Dec. 31, 1949
	<u>Million dollars</u>		
Total foreign countries 1/	22,738	£2,576	£7,759
Canada	2,416	-76	£1,051
United Kingdom	3,009	£691	£1,085
Other sterling area countries	1,037	£72	£238
Continental Western Europe	10,060	£1,692	£3,874
Belgium-Luxembourg & Congo	1,098	£63	£186
France and dependencies	1,052	£85	£312
Germany (Federal Republic)	1,225	£534	£1,078
Italy	795	£140	£239
Netherlands and dependencies	1,055	£240	£640
Switzerland	2,133	£80	£12
Latin American Republics	3,625	£256	£569
Asia 2/	2,309	-58	£300
Indonesia	184	-112	-10
Japan	958	£22	£625
Philippines	304	-20	£6
Other countries	282	-1	£142

1/ Includes reported and estimated gold reserves of central banks and governments (except for the Soviet Bloc) and official and private short term dollar holdings as reported by United States banking institutions.

2/ Excluding sterling area countries and dependencies of Western European countries.

SOURCE: Board of Governors of the Federal Reserve System.

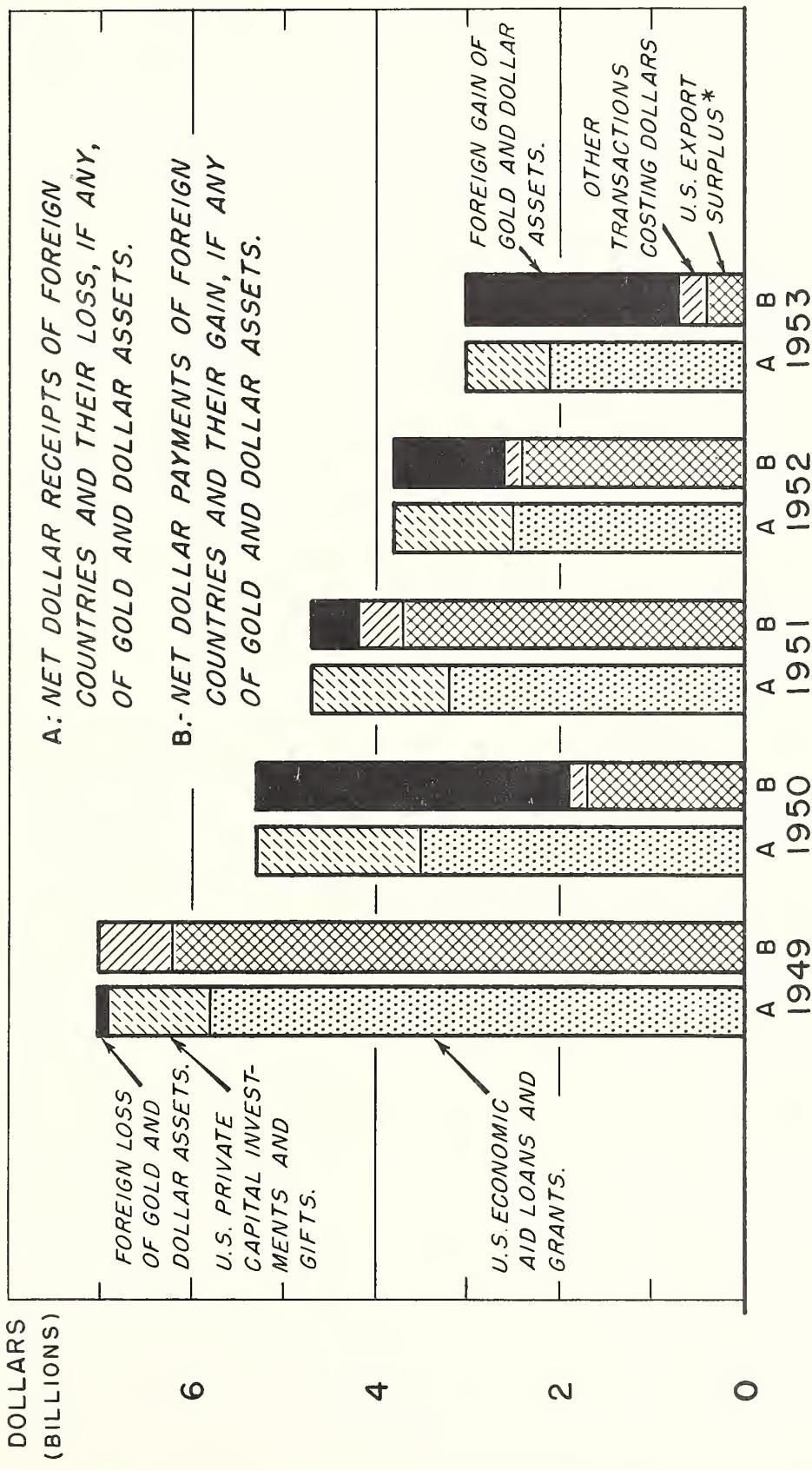
Table 2. Balance of Payments between the United States and Foreign Countries, 1949 - 1953.

	1949	1950	1951	1952	1953
<b>I. TRADE IN GOODS AND SERVICES</b>					
			<u>Billion dollars</u>		
<u>Foreign countries received U.S. goods and services valued at</u>	16.0	14.4	20.2	20.7	21.3
Part of these were financed by <u>military aid</u>	.2	.6	1.5	2.6	4.3
Thus they purchased goods and services valued at	15.8	13.8	18.7	18.1	17.0
<u>Foreign countries earned from the sale of goods and services to the U.S.</u>	9.6	12.1	15.0	15.7	16.6
Thus their purchases exceeded earnings by	6.2	1.7	3.7	2.4	.4
<b>II. ECONOMIC AID, CAPITAL MOVEMENTS, AND OTHER TRANSACTIONS</b>					
<u>Foreign countries also received U.S. dollars through</u>					
<u>United States Government economic aid (loans and grants)</u>	5.8	3.5	3.2	2.5	2.1
<u>Private U.S. investments and gifts</u>	1.1	1.8	1.5	1.3	.9
Or a total of	6.9	5.3	4.7	3.8	3.0
<u>On the other hand foreign countries paid dollars for various unaccounted transactions</u>	.8	.2	.5	.2	.3
Thus their net receipts of dollars from transactions outside the trade in goods and services amounted to	6.1	5.1	4.2	3.6	2.7
<b>III. NET CHANGES IN FOREIGN GOLD AND DOLLAR ASSETS</b>					
As a result of the transactions under I and II above foreign gold and dollar assets, long and short term increased (+) by	+ 3.4	+ .5	+ 1.2	+ 2.3	
decreased (-) by	- .1				

Source: U.S. Department of Commerce, Office of Business Economics.



# BALANCE OF PAYMENTS BETWEEN THE UNITED STATES AND FOREIGN COUNTRIES, 1949-1953



\*EXCLUDING MILITARY AID





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## BELGIUM, LUXEMBOURG, AND THE NETHERLANDS LIBERALIZE IMPORTS OF UNITED STATES FARM COMMODITIES

Belgium, Luxembourg, and the Netherlands have published a "common list" of commodities which may be imported without quantitative restriction from the United States and other dollar sources. These commodities may also be transshipped between the three countries, which after the war formed a customs union, usually referred to as BENELUX.

The Benelux common list includes important United States agricultural commodities such as cotton, tobacco, peanuts, soybeans, vegetable oils, tallow, corn, coarse grains, grain sorghums, cereal flours except wheat flour, starches, feeds and fodders, canned soups, canned fruits, dried and canned vegetables, and legumes, sweetened powdered and condensed milk and cream, and honey.

The Benelux countries have also individually and autonomously eliminated restrictions on certain additional dollar commodities which formerly were freely admitted only from nondollar sources. In the case of Belgium, unconfirmed reports list citrus fruits, raisins, fruit juices, cotton waste, unsweetened powdered and condensed milk and raw hides and skins among these items.

Furthermore, Belgium has announced that (with few exceptions, none of which involves United States agricultural export products) it would no longer discriminate against dollar imports for items that are still under import restrictions. The Netherlands, like Belgium, has indicated that commodities still subject to individual import screening will also be admitted liberally.

Commodities on the common list are relatively free of import or exchange formalities. In Belgium and Luxembourg the necessary foreign exchange can be obtained by a declaration to an authorized foreign exchange bank specifying the goods to be imported. In the Netherlands, a license application must still be submitted to the competent authorities, but licenses which carry with them the right to foreign exchange will be freely granted.

The adoption of this common list furthers the declared intention of the Benelux governments to pursue vigorously liberalization of their trade with dollar countries. Together with the announced administrative liberalization of additional imports, it reflects the continued rise in gold and dollar reserves and hence the improved international financial position of these countries.

The agricultural commodities on the Benelux common list are as follows:

Belgium-Luxembourg and the Netherlands: Automatically Licensed  
Imports of Interest to United States Farmers

TARIFF NUMBER 1/

COMMODITY 1/

Live animals and meats

2, 4, 5, 7, 8, 9,  
10, 11, 12      Asses, mules, hinnies; sheep, goats; domestic rabbits;  
                  poultry; game; dogs; bees; live animals, n.e.s. (except  
                  horses, cattle, pigs)  
13              Frozen beef, veal, lamb, mutton and horsemeat  
14              Poultry, dead or dressed  
15              Dead game  
16              Other fresh, chilled or frozen meat, n.e.s. (other than  
                  fresh or chilled beef, veal, mutton or lamb, and  
                  fresh chilled or frozen pork or bacon)

Milk and dairy products, eggs, and honey

24              Preserved milk and cream, in blocks, in powder, or  
                  condensed (syrupy) with addition of sugar  
26              Cheese, of a kind not produced in the Netherlands,  
                  having a fat content of 40% or more  
27              Eggs of game in the shell  
28              Natural honey

Raw materials and other raw products of animal origin

29, 30, 31, 32, 33,  
34, 35, 36, 37,  
38, 39      Human hair, unworked, whether or not washed and scoured;  
                  pig and boar bristles; guts, bladders and stomachs  
                  of animals, fresh, salted or dried; calves' rennet  
                  bags, whether or not cut up and dried; sinews,  
                  clippings, parings and similar waste of untanned  
                  hides and skins; animal blood, liquid or dried; bed  
                  feathers and down, cleaned or not; bird skins and  
                  parts of bird skins; birds' feathers other than bed  
                  feathers and down; raw animal products, and animal  
                  offals n.e.s.; also dead animals not intended for  
                  consumption.

Live plants and products of floriculture

40, 41, 42, 43,  
44              Bulbs, tubers, corms, and rhizomes of flowering or  
                  foliage plants; cuttings and slips; live plants  
                  (young apple trees and pear trees and other young  
                  trees for grafting or rearing purposes, vine plants,  
                  fruit trees and bushes, forest trees and bushes,  
                  other n.s.m.); cut flowers and buds for bouquets or  
                  for ornaments; foliage, leaves, branches, grasses and  
                  mosses for bouquets or for ornaments

1/ Tariff numbers and commodity descriptions are based on the Benelux  
"Tariff of Import Duties."

TARIFF NUMBER 1/

COMMODITY 1/

Vegetables; edible plants, roots and tubers

45 Edible mushrooms, including truffles  
46 Olives and capers  
48 Garlic  
49 Seed potatoes  
51 Seeds of beans, peas, and lentils  
52 Dried vegetables and pot-herbs; asparagus; cauliflower; spinach, lettuce, endive, carrots, turnips, salad beets and other similar edible roots; French beans, broad beans, peas and other leguminous vegetables; cucumbers, gherkins, vegetable marrows, gourds and similar products, whether or not cut into pieces or sliced; mixed vegetables and pot-herbs of all kinds, dried (Juliennes); all such products, prepared or not for retail sale  
53 Rootstocks of cassava and arrowroot, Jerusalem artichokes, and other similar roots or tubers, with a high starch content, whether or not dried or cut into pieces

Fruits, nuts, tea, and spices

54 Tropical fruits, including pineapples (excluding bananas)  
56 Figs  
58 Almonds; filberts; walnuts; chestnuts; cashew nuts; pistachio nuts; and similar fruits  
59 Quinces, fresh  
60 Apricots, fresh  
64, 65, 66, 67 Tea; pepper and pimento (allspice); vanilla; other spices

Cereals

69 Rye, except rye seed  
70 Rice, in the straw or unhusked grains  
71 Barley, except seed barley  
72 Oats, except seed oats  
73 Corn  
74 Buckwheat, millet and other cereals (including grain sorghums)

Milling products, malt, and starch

75 Cereal flours (except wheat, spelt, meslin, and rice)  
76 Groats, semolina, and husked and pearled cereal grains (except wheat and milled rice)  
77 Leguminous and fruit flours, n.e.s.

TARIFF NUMBER 1/

COMMODITY 1/

Milling products, malt, and starch--continued

78 Bran, sharps and other residues from screening,  
millining, and husking of grain and of podded seeds  
79 Potato meal, semolina, and flakes  
80 Malt  
81 Malt extracts  
82 Starchos and feculae (except gluten)

Oilseeds and oleaginous fruits; miscellaneous grains,  
seeds and fruits; industrial and medicinal plants;  
straw and fodder

83 Oilseeds and oleaginous fruits, whether or not crushed  
or ground (groundnuts, copra, palm kernels, soya  
beans, castor seed, linseed, oil-poppy and poppy  
seed, other oil seeds and oleaginous fruits)  
84 Seeds and fruits for sowing (beet seed; clover, lucern,  
grass and other herbage seed; seeds and fruits of  
forest trees and bushes, of fruit trees and bushes,  
and of ornamental trees and bushes)  
88, 89 Plants, parts of plants, seeds and fruits, used in the  
perfumery trade or in medicine; for human food or for  
fodder, n.e.s.  
90 Cereal straw, unworked, chopped or not; cereal husks  
91 Fodder, including hay, green or dried; fodder beet and  
other fodder roots

Raw materials for dyeing and tanning, gums, etc.

92 Plants and parts of plants, fruits, pods, berries, nuts  
and seeds, used for dyeing or tanning, ground or not  
(dyewood and tanning woods, dyeing barks and tan  
barks, others)  
93, 94 Gums, gum resins, natural resins and balsams; vegetable  
saps and extracts, n.e.s., including pectin

Vegetable plaiting and carving materials and other raw  
materials and raw products of vegetable origin

95, 96, 97, 98, 99 Vegetable materials used in basket making; carving;  
stuffing and padding; brooms and brushes; and other  
raw products of vegetable origin

Fatty substances, fats, oils, and waxes

101 Crude tallow, rendered or not [premier jus]  
102 Oleomargarine, oleostearine  
104 Wool grease; fat from bones, from offal and the like;  
oils of animal origin, n.e.s.  
105 Vegetable oils; crude linseed oil; crude or pre-treated  
soybean oil; tung oil, purified or refined, not  
hardened; crude sunflower and corn oil; crude or  
pretreated cottonseed oil; crude peanut oil; crude  
sesame, colza, rapeseed or similar oils; olive oil,  
crude, purified, or refined, not hardened; crude  
palm oil; crude palm kernel or coconut oil; crude  
vegetable fatty oils, fluid or solid, n.s.m.  
108 Dégras, natural  
110 Glycerine: crude and other  
114 Animal or vegetable waxes; artificial waxes, includ-  
ing beeswax  
115 Solid residues from the preparation of fatty  
substances

Food products, sugar, spirits, and cocoa

116 Sausages and the like  
117 Other prepared or preserved meat, including canned  
meat soups containing by weight 20% or less of meat  
118 Meat extracts, solid or liquid, whether or not flavored  
with vegetable substances  
123 Sugars other than cane, beet, etc.; namely glucose,  
maltose, lactose and the like, except invert sugar  
or artificial honey  
124 Molasses  
125,126 Sugar confectionery; other edible sugar preparations,  
n.e.s.  
127, 128, 129, 130,  
131, 132 Cocoa in the bean and broken beans; cocoa shells, husks  
and skins and other waste; cocoa paste; cocoa butter;  
cocoa powder; chocolate and chocolate goods

Preparations with a basis of flour or starch

133 Flour, starch and malt extracts, prepared for infants'  
foods or for dietetic or culinary use, with or without  
added cocoa or chocolate  
135, 136 Bread, ships' biscuit and other ordinary bakers' wares  
(without addition of sugar, honey, eggs, fats or  
similar substances); fine bakers' wares, pastry and  
biscuits, whether or not containing cocoa or chocolate

TARIFF NUMBER 1/

COMMODITY 1/

Preparations of vegetables, pot-herbs, fruits, and other plants or parts of plants

137 Preserved mushrooms and truffles  
139 Preserved vegetables except tomatoes and tomato sauces  
140 Preserved fruit, whole, in quarters or in pieces, with or without addition of sugar  
141 Fruit, fruit peel, plants or parts of plants, preserved in sugar (candied)  
142 Jams, fruit jellies, marmalades, fruit pulp and pastes

Miscellaneous food preparations

145, 146, 147 Roasted chicory and other coffee substitutes, in pieces, in grains or ground; artificial coffees; extracts, essences, and preparations with a basis of coffee; mustard flour prepared for consumption, and prepared mustard  
148 Preparations for soups and broths, and prepared soups, with a vegetable base, containing neither meat nor meat substances or only traces thereof; sauces and similar condiments  
149 Yeasts  
150 Food preparations, n.e.s., including vegetable extracts, concentrated, liquid or dry, for the preparation of refreshing drinks  
152, 153, 154, 155 Beer; wine and grape must, including grape juice; sparkling wine  
156 Other fermented beverages, including cider  
157, 158, 159 Spirits of all kinds; ethyl alcohol; and liquors  
160 Lemonade and beverages, n.e.s.  
161 Potable vinegars  
162, 163, 164, 166, 167, 168, 169, 170 Meat-meal; beet pulp and waste of sugar manufacture; brewing dregs; waste from distilling, from starch manufacturing, and the like; residue of pressed grapes and other fruits; wine lees, dried or not; argol (crude tartar); waste of vegetable origin, n.e.s., for feeding cattle; fodder preparations treated with molasses; prepared animal fodders  
171, 172 Tobacco, raw and manufactured

TARIFF NUMBER 1/

COMMODITY 1/

Miscellaneous products; hides and skins

282, 283, 284, 285, 286 Products of the distillation of wood, n.e.s.; products of the dry distillation of resins; spirits (oil) of turpentine; colophony and coumarone resin; brower's pitch and similar compositions with a basis of colophony and vegetable pitch

298 Tanning extracts of vegetable origin

315 Essential or volatile vegetable oils (other than turpentine oil), terpeneless or not, including terpenes

318 Concentrated solutions of natural essences in fats and oils

326, 327, 328, 329, 330, 331 Casein; albumins; gelatines; glues of animal origin; pastes for graphic reproduction, and similar preparations with gelatine basis; dextrins, including roasted starch and fecula

342 Fertilizers of animal or vegetable origin, not chemically prepared

352, 353, 354, 355, 356, 357 Sheepskins and goatskins; leathers; pigskins; etc.

366, 367, 368 Fur skins, raw; dressed, made up

Textiles

493 Wool

494 Horsehair

495 Animal hair, n.e.s., etc.

496 through 517 Wool; horsehair; animal hair; products including yarn fabrics; carpets; etc.

518 Raw cotton, linters and others

520, 521 Cotton waste bleached or dyed; cotton, carded or combed

522 through 526 Cotton yarn

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1/ Tariff numbers and commodity descriptions are based on the Benelux "Tariff of Import Duties."

